Seven "Grape" Wine Bars in the Denver Metro Area

If you're looking for the perfect place to enjoy a glass of vino and perhaps an appetizer or two, look no further. Here are six fun wine bars in the Denver metro area.

Water 2 Wine
(Greenwood Village)
This fully operational winery and wine bar is located in the heart of the Denver Tech Center. They have nearly 100 wines to choose from, and you can even make your own wine.
www.water2winedtc.com

Indulge Bistro and Wine Bar
(Highlands Ranch and Golden)
Indulge Wine Bar has two lovely locations. In addition to a wide variety of wines, they also offer quite a lunch, dinner and tapas menu. Check out their Indulge Wine School—a great way to learn more about wine.
www.indulgewinebar.com

Bistro Al Vino
(Centennial)
Bistro Al Vino offers more than 100 wines by the glass and live music nearly every night of the week. They offer a full upscale dinner menu, too.
www.bistroalvino.com

Flights Wine and Coffee
(Morrison)
This unique wine bar is in an 1870s cottage. Light food menu and wine flights menu offered, too. Enjoy your wine at the tasting bar, in the living area, or outside in the garden.
www.flightswinecafe.com

Kate's Wine Bar
(Littleton)
This "European-style" wine bar is in Old Town Littleton. They have more than 40 wines to choose from as well as a simple appetizer menu of cheeses, meats, and dips.
www.kateslittleton.com

Wine & Cheese Restaurant & Wine Bar
(Westminster)
Enjoy an artisan cheese and charcuterie menu while sipping great wine.
www.thewineandcheese.com

Cellar Wine Bar
(Denver)
This cozy wine bar in the Lower Highlands neighborhood offers wines, wine flights, and a delicious yet simple menu.
www.cellarwinebar.com

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Statement of Changes

IMPORTANT INFORMATION FOR CLIENTS AND FRIENDS OF OUR FIRM — Summer 2013

IN THIS ISSUE

1
- Zarlengo Raub Merges
- Extracting Cash From S Corp
- Roth Rollover Provision

2
- Organizing Records
- Zarlengo Raub Website
- Borrowing From 401K

3
- Drafting An Estate Plan Letter
- The Marriage Penalty

4
- Seven Denver 'Grape' Wine Bars

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Zarlengo Raub Merges with Bretzlauf & Associates

We are excited to announce that Zarlengo Raub has merged with Bretzlauf & Associates, a Lakewood-based firm that has been in business for more than 35 years. Welcome to David and Jean Bretzlauf and Diane Gottula, who join Zarlengo Raub effective August 1, 2013. We would also like to extend a warm welcome to former Bretzlauf & Associates clients. We look forward to serving you!

Save Taxes When Extracting Cash From an S Corporation

As a shareholder, you may be receiving several types of payments from your S corporation, including a salary, rental payments from real estate you lease to the corporation, and a portion of the S corporation's net income. While both salaries and rents paid by the S corporation must be reasonable in relation to the value of services or property provided, there is some flexibility about the actual amount of any of these payments. Since even minor fluctuations in these payment categories can produce differing tax results, you may want to consider the following ideas for saving taxes when extracting S corporation cash.

Income Shifting – S corporation shareholders often attempt to minimize their compensation to increase the pass-through income flowing to other owners (typically children in a lower tax bracket). Clearly, an owner rendering significant services to the corporation cannot unreasonably reduce his or her salary to increase income to other shareholders. However, reasonable adjustments may be made with this objective in mind. Reasonable compensation should be determined based on the shareholder's qualifications and duties, the relationship of the shareholder's compensation to that of all the corporation's employees, salaries paid by comparable companies, and the relationship between compensation and shareholder return on investment.

Reducing Compensation – Wages paid to an S corporation shareholder-employee are subject to payroll taxes. However, pass-through S corporation income is not. Thus, shareholder-employees may be able to reduce their payroll tax liability by minimizing salaries to receive additional pass-through income.

The IRS is aware of this strategy and has successfully fought it where shareholder compensation was obviously less than reasonable. Despite these IRS victories, an S corporation shareholder's salary may be established at the lower end of a reasonable range, especially when services are not the primary income-producing activity of the corporation.

Generating Rental Income – It is generally beneficial for an owner to rent real estate to the S corporation because any resulting net rental income is exempt from payroll taxes. But the arrangement must be reasonable because the IRS has authority to recharacterize rent payments as compensation or dividends to the extent they exceed market rates.

New In-plan Roth Rollover Provision

A provision in the American Taxpayer Relief Act of 2012 permits an individual to transfer any portion of their balance in an employer-sponsored tax-deferred retirement plan account into a Roth IRA account under that plan. This transfer option for retirement plans is only available if the employer plan includes this feature (i.e., in-plan Roth) in the plan. Prior to the Act, only eligible retirement plan distributions could be rolled over to an in-plan Roth IRA.

The catch under the new Roth transfer provision is that the transfer will be fully taxed, assuming the conversion is being made with pretax dollars (money that wasn't taxed to an employee when contributed to the qualified employer-sponsored retirement plan). The taxable amount will also include any earnings on those pretax dollars.

The provision is effective for post-2012 transfers, in tax years ending after December 31, 2012. Conditions and restrictions apply.

Compiling and Organizing Vital Personal, Financial, and Legal Records

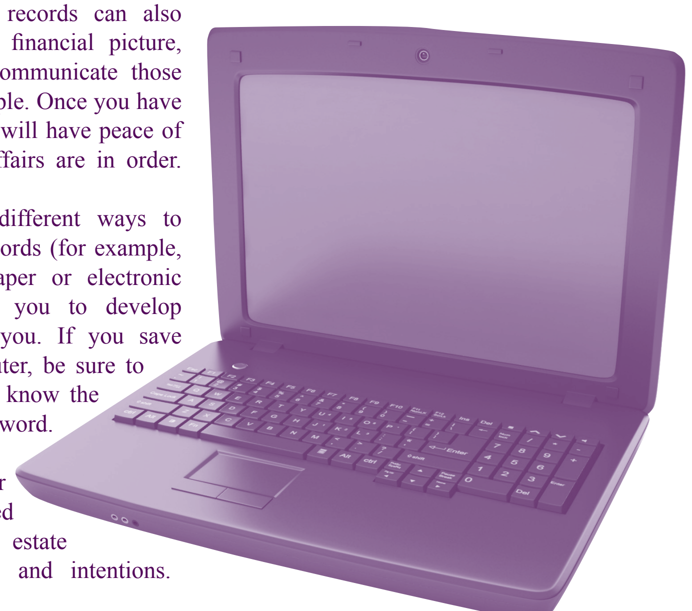
As your personal, financial, and legal records grow in volume and importance over the years, the task of organizing such documents may seem overwhelming. Yet, the importance of having your vital records readily accessible cannot be overemphasized. In the event of your untimely incapacitation or death, your loved ones will need many of these documents to ensure that your wishes are carried out. You certainly don't want them to be burdened with locating numerous documents and records during such an emotionally difficult time.

By organizing your important records, you can express your wishes, such as how you want your property to be distributed, your intentions for life-sustaining measures, and any special preferences for your funeral and burial arrangements. By completing the necessary information manually or on your computer and filing your documents in one convenient location, your family or heirs will be able to easily locate them. This helps ensure that your wishes are known and minimizes the risk of family disputes. This information will also help expedite the settlement of your estate upon your death.

Organizing your essential records can also help you understand your financial picture, plan for the future, and communicate those plans to the appropriate people. Once you have completed this project, you will have peace of mind knowing that your affairs are in order.

There are a number of different ways to organize your important records (for example, a notebook or CD, or paper or electronic files)—and we encourage you to develop a system that works for you. If you save information on your computer, be sure to let your trusted loved ones know the login information and password.

Your completed organizer should contain detailed information about your estate and wealth transfer goals and intentions.



Remember to check whether the details of estate plans (such as durable powers of attorney, health care directives, beneficiary designations, etc.) need to be updated or require further attention.

If you have questions as you gather your documents and information, please do not hesitate to contact us.

Check Out the New Zarlengo Raub Website

We've redesigned and relaunched the Zarlengo Raub website. Access helpful financial resources, our archived newsletters, and much more. www.zarlengoraub.com

Borrowing from Your 401(k) Plan

If you are unable (or prefer not) to borrow from a bank or other outside source, your qualified retirement plan may be a good option. IRS guidelines permit a limited amount of borrowing from corporate qualified retirement plans, including 401(k) plans. In general, borrowings are limited to 50% of the participant's account balance up to a maximum of $50,000 and must be repaid within five years (unless the loan proceeds are used to purchase a principal residence). Hardship withdrawals (different from a loan, which must be repaid to the plan) from 401(k) plans are also permissible in certain circumstances. However, hardship withdrawals are taxable and subject to a 10% penalty if made before age 59 1/2.

Tax law generally prohibits borrowing from IRAs. However, a distribution from an IRA followed by a redeposit of the funds into the same account or another IRA within 60 days of receipt of the funds will qualify as a tax-free rollover transaction. Once you have made such a tax-free rollover, you must wait at least one year from the date of receipt of the amount withdrawn from that particular IRA before becoming eligible to participate in another similar transaction. This once-per-year rule is applied individually to each IRA. Therefore, a person who has more than one IRA may make a rollover once per year on each account. Your use of the funds for the 60-day rollover period is, in effect, a short-term loan. We recommend that you not implement this strategy without careful planning.

Example: Borrowing from an IRA. Sue needs $8,000 to pay her income taxes on April 15th. Her only liquid asset is her IRA account with a balance of $63,000. However, she expects to receive an accident settlement of $20,000 around May 15th. Sue can take an $8,000 distribution from her IRA account and use these funds to pay her taxes due April 15th. If she redeposits the funds within 60 days, there are no tax consequences. She can use a portion of her settlement or other available funds for the redeposit to her IRA. If Sue does not receive her insurance settlement within 60 days and has no other source from which to repay the $8,000 distribution, severe tax consequences can result. The distribution becomes taxable and is subject to the 10% penalty if Sue is under age 59 1/2.

Please contact us if you have questions about the tax ramifications of borrowing from retirement accounts.

Drafting a Testamentary Letter as Part of Your Estate Plan

A testamentary letter, also referred to as an estate planning letter, should be a part of your estate plan. It is written to your executor, heirs, or both as a supplement to your will. It is not binding on your executor, but provides guidance concerning your wishes.

The testamentary letter can provide invaluable assistance to your executor and family members. An explanation in layman's terms of the workings of the will and estate plan in general should help the readers understand your desires and objectives. A description of the estate plan found in the testamentary letter should be consistent with your will. The letter may not be probated in lieu of your will but may be admissible in probate court to clarify an ambiguity in the will. The will and other legal documents will be controlling if any inconsistency arises. It is advisable for an attorney to review the testamentary letter to ensure its accuracy.

Personal desires and requests that are inappropriate in a will fit well in a testamentary letter. These include discussion of preferences or previously made arrangements for last rites and burial services, directions for the disposition of personal property, and other matters of a personal nature.

This letter assists the executor in administering the estate, supplying as much information as possible regarding the location of important documents (i.e., will, life insurance policies, and burial policies), your assets and liabilities, and professional advisors and other individuals to consult during administration.

Like other parts of the estate plan, the testamentary letter should be reviewed and updated periodically. It should be kept in a safe place other than a safe-deposit box so the executor may gain quick access to it. This is particularly true if burial instructions are included with the testamentary letter. The funeral may occur before it is possible to gain access to a safe-deposit box (i.e., if death occurs on a weekend or holiday).

Note that it is important that the testamentary letter be consistent with the overall estate plan. If the letter contains directions that appear contrary to the will, it may provide impetus to an unhappy beneficiary's desire to contest the will. It is possible that the testamentary letter could be argued to be a revocation of the will if it is signed after the execution of the will and is inconsistent with the will. For this reason, the attorney drafting the will should help prepare the testamentary letter in order to ensure consistency.

The Marriage Penalty

The marriage penalty occurs under the current tax system when a married couple pays more federal income tax when filing jointly than they would if they had remained single and each filed as an individual taxpayer. Historically, Congress has taken steps and passed legislation to provide relief from the marriage penalty. However, the 2010 Affordable Care Act (Affordable Care Act) and the American Taxpayer Relief Act of 2012 (2012 Taxpayer Relief Act) increased the marriage penalty for some high-income couples. Let's take a look at how this legislation adversely impacts married taxpayers.

The Affordable Care Act brought about the 3.8% net investment income tax (3.8% NIIT) and additional 0.9% Medicare tax. These taxes are sometimes referred to as "Medicare Taxes."

The 3.8% NIIT is generally assessed on investment income (interest, dividends, annuities, royalties, rents, and capital gains). The tax is 3.8% of the lesser of net investment income or modified adjusted gross income (MAGI) over an applicable threshold. The thresholds are $250,000 for a married couple filing jointly and $200,000 for a single filer. So a married couple with MAGI of $400,000, all of which is investment income would pay a surtax of 3.8% on $150,000 ($400,000 – $250,000) or $5,700. If that couple was not married, filed as single taxpayers, and each had $200,000 of income subject to the 3.8% NIIT, they would each have an exclusion of $200,000 available and, therefore, neither would owe this surtax.

The additional 0.9% Medicare tax is assessed on employment and self-employment earnings above the same thresholds. Therefore, a married couple with joint employment earnings of $400,000 would pay the additional 0.9% Medicare tax on $150,000 ($400,000 – $250,000) or $1,350. Once again, if the individuals were not married, each had $200,000 in earnings, and filed as single taxpayers, they each would have the $200,000 exclusion available and neither would owe the tax. When added to the 3.8% NIIT, that's a $7,050 ($5,700 + $1,350) marriage penalty resulting from the Affordable Care Act.

The 2012 Taxpayer Relief Act added new 39.6% ordinary income and 20% capital gains rates for some high-income taxpayers. These new rates potentially increase the marriage penalty. Both rates apply to married couples filing jointly with taxable income above $450,000 and single taxpayers with taxable income above $400,000.

Married individuals with taxable income of $800,000 filing jointly, will pay 39.6% on $350,000 (800,000 – $450,000) of that income. In contrast, if the couple were not married, had $400,000 of taxable income each, and filed as two single taxpayers, their marginal tax rate (rate on the last dollar of income) would be 35%. So, they would not pay 39.6% on any of their income, but would top out in the 35% bracket. This would make quite a difference in their overall tax bill. In a similar fashion, a married couple filing jointly with $800,000 in long-term capital gains would have $350,000 ($800,000 – $450,000) subject to the new 20% capital gains rate. Once again, if they were not married with $400,000 each in long-term capital gains and filed as two single taxpayers, the maximum rate on their gains would be 15%.

Please contact us to discuss the appropriate strategies to reduce your tax bill.